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STATE FOR EAP/MTS, EAP/EP/ EEB/IFD/OMA
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TREASURY FOR OASIA

SENSITIVE

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TAGS: [EFIN](#) [ECON](#) [RP](#)

SUBJECT: Philippines Calls for ASEAN+3 Response to Financial Crisis

SENSITIVE BUT UNCLASSIFIED

Ref: A) Manila 2340, B) Manila 2174

1. (SBU) Summary: In a press conference on October 12, Philippine President Gloria Macapagal-Arroyo called for an ASEAN+3 meeting on the sidelines of the upcoming October 24-25 Asia-Europe summit in Beijing to coordinate regional responses to the global financial crisis (ref A). Philippine officials believe they now have a consensus from ASEAN+3 national leaders to attend, and that the summit will definitely take place. Trade Secretary Favila, Finance Secretary Teves and Central Bank Governor Tetangco expect to accompany President Arroyo to provide details on specific mechanisms for coordinating financial policy among the Asian economies. Philippine officials hope the summit produces more than a mere show of unity, and Asian economies come together in a proactive approach to the global financial crisis. End summary.

2. (SBU) Department of Trade and Investment Secretary Peter Favila told us on October 17 that arrangements were proceeding smoothly for the ASEAN+3 summit that President Arroyo proposed on October 12 to coordinate responses to the global financial crisis. He said there was a "consensus" among ASEAN+3 leaders to attend the summit, and that his staff was busy preparing materials for use at the summit. Favila noted that President Arroyo has long been an advocate of stronger financial coordination by ASEAN nations and tried to establish formal mechanisms for coordination during her tenure as head of ASEAN. He described her as primed for this opportunity.

3. (SBU) Secretary Favila went on to describe Malaysia's recent guarantee of all bank deposits as the type of uncoordinated action that could negatively affect other ASEAN countries. He said Malaysia's guarantee sent a dangerous signal that Asian banks could also be at risk from the crisis, and this would cause an outflow of bank deposits from neighboring economies that did not offer to guarantee all deposits. He said that if there had been consultations with Malaysia prior to its action, he and his counterparts from other ASEAN economies would have advised against it. Secretary Favila indicated that another area for coordinated action was in stimulating regional economies. He said the Philippines would increase spending on infrastructure and agricultural projects, and he hoped other regional economies would do that same.

4. (SBU) Officials at the Department of Finance confirmed to us that Secretary Margarito Teves would also attend the ASEAN+3 summit in Beijing and officials at the Central Bank confirmed that Governor Tetangco would attend. Recent media reports have suggested that the expansion of an emergency fund already in place would be a key goal of the discussions.

5. (SBU) Comment: President Arroyo obviously wants to take

advantage of the mileage provided by the World Bank/IMF meetings in Washington and the October 23-24 Asia-Europe summit in Beijing to promote regional financial coordination, an issue she has pushed for some time. New coordination mechanisms for dealing with financial issues between ASEAN, China, Japan and South Korea could obviously have important implications not only for the immediate response to current economic problems, but also for the economic architecture of Asia.

KENNEY